

AGENDA
ECONOMIC DEVELOPMENT AUTHORITY MEETING
FRIDAY, December 15, 2017
7:00 A.M.
CITY COUNCIL CHAMBERS

- I. Call to Order/Roll Call

- II. Approval of Agenda

- III. Consent Agenda
 - A. November 17, 2017 Minutes
 - B. Approval of Expenditures

- IV. Public Comment

- V. Old Business

- VI. New Business
 - A. EDA Assistance for Site Development
 - B. Hotel Recruitment
 - C. Chamber membership
 - D. Set 2018 meeting dates

- VII. Other
 - A. Work session date/time

- VIII. Updates
 - A. Boards & Commissions
 - a. B.E.S.T.
 - i. December 11, 2017 Board of Directors Meeting
 - B. Elm Avenue Project
 - C. Visioning
 - D. Business Support/Recruitment
 - E. U of M Extension Economic Impact Study
 - F. CVN – December 8

- IX. Next Meeting Date
 - A. January 19, 2018

- X. Adjournment

Upon request, accommodations will be provided for individuals with disabilities wishing to participate

MINUTES

ECONOMIC DEVELOPMENT AUTHORITY
FRIDAY, November 17, 2017

I. Call to Order/Roll Call

The meeting was called to order at 7:02 a.m. by President Dave Dunn.

Members Present: Dave Dunn
Ann Fitch
Russ Weir
Marty Armstrong

Members Absent: Larry Thompson
Blain Nelson
Roy Srp

Staff Present: Gary Sandholm, Economic Development Coordinator
Michelle Murphy, Administrative Assistant

II. Approval of Agenda

It was moved by Weir, seconded by Fitch, to approve the agenda as presented; the motion carried 4-0.

III. Consent Agenda

It was moved by Fitch, seconded by Weir, to approve the Consent Agenda, the motion carried 4-0.

IV. Public Comment

None

V. Old Business

None

VI. New Business

None

VII. Other

EDA Member Fitch brought up a discussion on the future of the EDA. At this point, she feels it may be in the best interest of the EDA/City to have the EDA Board be the City Council and appoint two other volunteers as well.

Much discussion was held regarding the struggle the EDA has with attendance, not enough projects, strain on volunteers and frustration that there is no way to report the EDA successes.

EDA Member Armstrong expressed his frustrations with the EDA as well, but does not believe it would be in the best interest to turn it completely over to the City Council. He reminded those

present that the EDA was set up as its own entity with its own taxing authority, therefore, turning it over to the City Council may jeopardize that status and the EDA would lose their independence. He suggested that perhaps the EDA have more work sessions or more involvement with the City Council, more enticing agenda items rather than the same updates every month. He also pointed out that it is sometimes difficult to make the meetings, simply because of full-time jobs and other commitments board members have.

Board Member Armstrong stated that the latest Tax Abatement program that is being offered is a good thing, but what can be done to make it even more enticing? What can the EDA do to market Waseca? How can we go from a City that receives the call of an interested investor, to a City that initiates the call? What is the mechanism to use to go to the next step to go out and attract business? He feels the EDA needs to put together a listing of what Waseca can offer a new business, i.e., land, tax abatement, etc.

Economic Development Coordinator, Gary Sandholm, explained there are many different approaches to use; such as direct marketing, but it is also a very time consuming and expensive route without much payoff. There are also services that we could subscribe to where we are supplied with qualified leads, but again, this would cost the City about \$10,000/month.

It was the consensus of those present that the EDA needs to study what their purpose is, what direction should they should go, and add substance to the meetings – not just meeting to talk about something, they need to do something.

Adjournment

It was moved by Weir, seconded by Fitch, to adjourn the meeting at 8:00 a.m.; the motion carried 4-0.

Michelle Murphy
Administrative Assistant

LIST OF EXPENDITURES

December 15, 2017

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Econ Development	<u>2,275.87</u>	
Total Gross Payroll	2,275.87	
*Less- Payroll Deductions	<u>1,600.25</u>	
Net Payroll Cost		\$ 3,876.12

*These costs are included in Accounts Payable totals below

Accounts Payable

Expenditures dated:
November 15, 2017-December 12, 2017

Bank ACH Withdrawals.....	<u>-</u>
GRAND TOTAL EXPENDITURES	<u>\$ 3,876.12</u>

EDA Assistance for Site Development

Background

The amount of land ready for building construction in present and potential industrial areas is very limited. While there is a reasonable amount of land available, virtually none is ready for construction due to preliminary work not having been performed. Examples of these sites are: West Interchange, Woodville Holdings (South Interchange), Marketplace, EDA in the industrial park, and the Lower property that the City purchased. Two other locations, EF Johnson and the Krause Anderson properties may have had some of the preliminary work performed, but that needs to be shown.

Why Is This Documentation Needed

When a company looks for a site for a new project, it wants to be able to make the acquisition very quickly when the decision is made to move forward. Timing can be very important to take advantage of market opportunities and to avoid competition.

Typical information needed by site selectors includes:

- Site delineation – what is offered for sale including the size. GIS maps, subject to survey, can provide this.
- Ownership. This seems obvious, but look at the confusion about the ownership of the Quad Graphics plant.
- Zoning of the site.
- Zoning and land uses surrounding the site. Permitted uses of neighboring property may not be compatible with the needs of the project.
- Flood plain identification.
- Wetlands.
- Easements, covenants, and other contracts that may limit the use of the site.
- Topo maps.
 - Maps with a 2' gradient are the minimum requirement. A 1' gradient is preferred.
- Utilities serving the site.
 - Peak demand for the system and percentage used for normal system operation.
 - Proximity to substations and transmission lines (electric and natural gas).
 - Dual feed potential (electric and fiber optic).
- Environmental.
 - Phase 1 study to determine if more thorough investigation is needed based on a physical inspection of the site and reviewing aerial photos going back many years to determine how the site has been used in the past.
 - Geotechnical (soil borings) to determine the suitability of the soils for the project.
 - Historic preservation site determination.

- The presence of an endangered species.
- Manmade factors:
 - Pipelines
 - Electrical transmission lines
 - Telecommunication lines
 - Electrical generation plants, chemical plants, or plants that create dust and fumes
 - Fuel and chemical storage facilities
 - Rail lines (including ownership and the types of freight transported)
 - Flight paths for airports (Note: the West Interchange is in the airport control zone)

Getting all of this, and possibly more, information assembled takes time and can cost a lot of money. \$20,000 or more may be incurred depending on the amount of work needed to develop the information.

How Can This Be Achieved?

The usual practice is for the land owner/developer to have the needed work performed and incur the cost of doing so. In markets like Waseca where the sale of development sites has not been strong, land owners have either not been aware of the importance of having this information at hand or have not been willing to invest the money without having greater assurance and expectation that the investment will pay off.

Site selectors, being very pragmatic about the use of their time, look for ways to expedite the culling process to reduce the actual number of sites they need to seriously evaluate. If full information is not available for a given site, it easily can be dropped from consideration even if it is the premier location.

Placing Waseca sites in the best possible position is something the EDA can assist. The most basic step is having the property on the LocationOne system (LOIS). Since real estate brokers and property owners can post properties directly onto LOIS, EDA does not have control of the information posted for many sites. As a result, many properties have little more than the location, site size, and contact listed.

Several giant steps are needed to go from the very basic data to having information that can truly get attention – providing the information outlined in the opening narrative – can make the difference. Overcoming the reluctance to invest in the additional documentation can be achieved by the EDA

Action Step

Offering to cover a substantial part of the investment for the environmental and topo research for development land provides an incentive for land owners to up their game. This can be in the form of a loan, a grant, or a small equity position. The objective is to have the information at hand.

Examples are to cover 50% of the costs up to \$5,000 per site with a grant or up to \$10,000 per site with a loan. An equity position may justify covering 100% of the costs. These are very simple examples, but the process shouldn't be complicated.

If several land owners want to participate at one time, a request for proposals can be made to obtain lower pricing than if each land owner works independently.

Requirements for land owners:

- A competitive sale price needs to be set as part of the agreement to provide assistance. (Many properties are listed on LOIS without a sales or lease price. Those rarely get attention from site selectors.
 - Economic development efforts will give priority to sites that have completed the needed documentation.
- For sites **NOT** owned by the City/EDA, the assistance should be focused on larger sites, especially where there is no water and sanitary infrastructure in place. On small sites, the costs of the documentation may exceed the value of the property.

What Will Be the Results?

Waseca properties will be positioned to compete effectively for projects in Southern Minnesota.

Comments from site selectors about Waseca responses for information requests are that our sites are good, but lack of complete information and infrastructure places Waseca behind other locations that are more ready to go. This assistance program addresses the information part of the equation.

- Some sites may prove to be not suitable for specific uses. Knowing this up front lessens the chances of putting a deal together only to have things fall apart due to things that could have been known beforehand. Time and other resources can then be directed to sites that are more suitable.
- Even with the compilation of this information, green sites will not be shovel ready. However, making the sites shovel ready will require gathering most of this information.

Hotel Recruitment

December 15, 2017

Background

Last spring a hotel feasibility study was performed for Waseca. The results of the study indicated good potential for an upper-mid level hotel that fills a niche above the existing Waseca hotels. The study has been shared with a couple of developers who do have interest working with Waseca. Recruitment activity has been largely on hold for the following reasons:

- A site has not been selected. Both the South and West interchanges with Highway 14 have potential, but both also need other infrastructure development to accompany a hotel.
- The study mentioned that hotels are not good pioneers. They need a restaurant or convenience store nearby. Neither interchange have these although there is a party interested in building a convenience store near the South Interchange.
- An investor group has not been formed.

Why Is Another Hotel Needed in Waseca?

This is an opportunity to capture dollars from traveler and visitors. Now people wanting better accommodations are staying in Mankato and Owatonna. During the work week, these are generally business travelers. On weekends, people visiting family and friends or participating in activities are the primary occupants. While staying in Waseca, most travelers will patronize other businesses for food, fuel, shopping, or entertainment.

Tax revenues are also impacted. A hotel adds property tax base and generates lodging tax revenue. If a Local Option Sales Tax is adopted, another revenue stream will be enhanced by the additional retail sales. There is also a small job creation component, but this is not a generator of a large number of jobs.

The locations of the existing hotels are also not convenient with the relocation of Highway 14. Many business travelers want hotels that are located on major highways where they are easy to reach. Driving two or three miles off the road is not attractive to this market segment.

An additional benefit is making the new front doors coming from Highway 14 into Waseca more attractive. There is very little now visible from Highway 14 to attract travelers into town. Realistically, there are very few services visible from Highway 14 between Mankato and Kasson. This provides an opening to establish Waseca as a regular stop for travelers on Highway 14 before Owatonna or other communities are able to capture this traffic.

How Can a Hotel Development Be Successful?

Especially in small markets, local investors are the key to obtaining a suitable franchise. Franchisors may have little if any money invested in a rural hotel. They make their money leasing their brand and

providing services to franchisees. This is illustrated by the changing of flags or brands of hotels over a period of time. Franchises for mid and upper scale hotels come with requirements to maintain and upgrade the property. If the franchisee does not or cannot meet these requirements, the franchise may be lifted or not renewed. A replacement franchise will usually have less stringent requirements. Over several decades, a hotel may start as a mid-level hotel and eventually become a budget hotel as the hotel flag/brand periodically changes.

Hotel developers such as building contractors and architects may add equity by leaving some of their fees in the project in exchange for stock, and they may have other investors who will help fund a project. With that in mind, not many hotels are built in rural communities without local investors. For many investors in hotels, the hotel does not have to make money to be a good investment. The ownership structure usually allows depreciation to be passed to the individual investors which then is used to reduce their personal income tax liabilities. After seven to ten years, the depreciation benefit has eroded, and the hotel is sold to new owners who can start with a fresh depreciation base.

Each franchise has its own requirements. These can include traffic counts, visibility, site size, building design and quality, and nearby amenities. As noted by the consultant, hotels are not good “pioneers”. Their ability to draw customers largely depends on how close other businesses such as restaurants and convenience stores are to the hotel. In Hartford SD a project for an AmericInn was delayed because a restaurant located in a bowling alley adjacent to the hotel site closed. When the bowling alley was repurposed as an event center with a restaurant, the project was able to continue. A hotel project in Waseca will also involve opening a restaurant and possibly a convenience store. (Interest has been shown for a convenience store with or without a hotel or restaurant.)

A very important function for a successful operation is the management. Retaining a management company to run the business can be crucial. They are responsible for staffing, maintenance, and other day to day responsibilities.

What Will Be the Outcome?

Successfully executed, a project will create a new face of Waseca with at least two or three new businesses. The building activity may also attract other business development. With more people stopping and staying in Waseca, there will more economic activity overall. New retail shops may open, and there will be a stronger effort to improve the appearance of Waseca to attract additional customers and visitors. The vibrancy of the community will grow.

A side benefit is that Waseca is a better place for other businesses. Current businesses will have a more convenient place for their customers and vendors to stay. Business recruitment can be facilitated. If a prospect comes to Waseca for a multi-day visit and stays in Mankato or Owatonna, the risk of the prospect looking at one of these communities increases greatly.

The EDA and City can help bring this about, but ultimately a successful hotel project lies in the hands of potential local investors.

2018
ECONOMIC DEVELOPMENT AUTHORITY MEETING DATES

The following regular meetings are scheduled for the 3rd Friday of each month unless otherwise noted.

The meetings will be held in the City Council Chambers at Waseca City Hall, 508 South State Street and begin at 7:00 am.

January 19
February 16
March 16
April 20
May 18
June 15
July 20
August 17
September 21
October 19
November 16
December 21